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STATE FOR
SCA/INS(PATEL), EEB/IFD/ODF(MONOHAN), IO/EDA(HA RRIMAN) AND
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TREASURY ICN (KOHLER) AND NUGENT
SIPDIS

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TAGS: PREL EFIN ECON KDEM PHUM CE

SUBJECT: GERMANS AGREE WITH U.S. APPROACH TO SRI LANKA IMF
LOAN

REF: STATE 41959

Classified By: ECON COUNSELOR INGRID KOLLIST FOR REASONS 1.4 (B) AND (D)
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¶1. (C) On April 28, 2009, Econoff delivered reftel points to Steffen Meyer, Head of Division for Global Economy, Currency Issues, IMF, and G7. Meyer said he had been in touch with colleagues at relevant government ministries, and that Germany shared U.S. concerns about developments in Sri Lanka.

Meyer said the German government was trying to assess the balance of payments (BOP) crisis in Sri Lanka and would appreciate any information the United States could share regarding its severity. He wondered if the U.S. position might be softening after conversations between the IMF and Treasury Department; Econoff assured him our position had not changed. Similar high-level exchanges between the IMF and German Finance Ministry had taken place in recent days, Meyer reported. He said Germany preferred that the Sri Lanka loan issue not be brought before the IMF Board until &a positive outcome could be reached.⁸ Germany did not want to be put in the situation "where it had to say 'no,'" he explained. Meyer was confident that Germany would join the U.S. in keeping the pressure on the Sri Lankan government to commit to key reforms and address the humanitarian situation.

¶2. (C) In a parallel demarche, Poloff delivered the reftel points to the Ministry of Foreign Affairs (South Asia Office Director Gudrun Sraega) and received a similar response. Sraega noted that the MFA was also concerned about the advisability of providing IMF BOP support to Sri Lanka in the current political environment. She had no other initial comments, but promised to get back to us with details on MFA thinking on this issue.

¶3. (U) Reftel points were also shared with the German Ministry of Economic Cooperation and Development (BMZ). Post will report any additional reactions as soon as they are available.

Koenig